

## SECTION 80—DEVELOPMENT OF BASELINE ESTIMATES

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## Summary of Changes

Incorporates requirement for information in support of baseline estimates previously included in section 100.2 (section 80.8).

**80.1 What are the basic requirements?**

OMB produces baseline estimates following the rules in section 257 of the Budget Enforcement Act of 1990 (BEA). These estimates are used for sequestration reporting purposes. Each agency, including the legislative and judicial branches, must submit estimates of budgetary resources, outlays, and receipts that project the CY levels into BY through BY+9, except as noted below. Government-sponsored enterprises do not have to submit baseline estimates.

Sections 80.2 through 80.7 describe the guidelines for developing baseline estimates. Report baseline data for all programs conducted under current law in the following MAX schedules:

- Schedule S for data on budgetary resources and outlays (CY through BY+9). See [section 81](#).
- Schedule Y for credit liquidating and financing accounts (CY through BY+4). See [section 185.11](#).
- Schedule K for receipts data (CY through BY+9). See [section 81.4\(e\)](#).

The law provides explicit instructions on how to develop the baseline estimates. Some apply to all baseline estimates. However, most rules are specific to two categories of collections and spending:

- Those that are controlled through annual appropriations acts (discretionary spending); and
- Those that are controlled through authorizing legislation (direct spending and receipts).

The classification of collections and spending (as discretionary or direct spending) follow the criteria specified in the BEA. Consult your OMB representative if you have questions concerning BEA classification.

**80.2 What general rules do I need to know?**

The baseline is a projection of the current year (CY) levels of budgetary resources, outlays, and receipts into the outyears based on laws already enacted. The following rules apply to all baseline estimates:

- *Legislative proposals.* Legislative proposals are considered to be changes from current law. Do not reflect their budgetary effects in the baseline estimates.
- *Supplementals.* Include only supplementals associated with mandatory programs in the baseline.
- *Regulations, management initiatives, and administrative actions.* Include the effect of these, including planned regulations that are not final, in the baseline estimates, as long as they can be implemented without further legislation.
- *Reductions pursuant to a sequester order.* Reflect CY reductions resulting from sequestration in the baseline estimates without separate identification.
- *Credit programs.* Base the estimates for credit programs on enacted appropriations of subsidy budget authority for direct loans and guaranteed loan commitments.

### **80.3 What rules apply to discretionary spending and collections?**

The BEA requires the baseline estimates for discretionary spending and collections to be based on the levels provided in the most recent appropriations act or full-year continuing resolution (CR). If a part-year CR is in effect, base the estimates on the annualized level of the CR. Except for advance appropriations, the most recent appropriations act or full-year CR is normally for the current year. The BEA provides special rules for estimating the baseline for BY through BY+9, when no appropriations have been enacted.

#### *(a) Current year base.*

Estimates will equal the enacted current year amounts reported in MAX schedules A and R for accounts under transmittal code 0. Exclude proposed supplementals from the estimates. Consistent with the BEA scoring rules, include the effects of enacted rescissions and transfers in the current year estimates. Score the rescission or transfer of unobligated balances to another account as a reduction in current year budget authority. Score transfers of unobligated balances into an account as increases in budget authority in the receiving account.

You must separate discretionary budgetary resources, except those related to spending authority from offsetting collections, into pay-related and non-pay portions. If you want to use MAX to calculate *mandatory outlays*, you must also separate mandatory budgetary resources into pay and non-pay portions. (See [section 81.3](#) for pay and non-pay definitions.)

#### *(b) BY through BY+9 baseline estimates.*

In most cases, baseline estimates of budgetary resources equal the most recent full year appropriation (generally the CY level), adjusted for anticipated inflation using factors supplied by OMB.

You must make special adjustments for assumptions about expiring housing contracts and social insurance administrative expenses. For the four BEA-specified accounts with social insurance administrative expenses (the Federal hospital insurance trust fund, the supplementary medical insurance trust fund, the unemployment trust fund, and the rail industry pension fund), report estimates of the beneficiary population in MAX schedule S on line 9993. Affected agencies should contact their OMB representative for guidance in developing estimates for expiring housing contracts.

In developing your discretionary baseline estimates, use the additional instructions provided in the following subsections, as appropriate:

- For advance appropriations, see subsection (c);
- For credit accounts, see subsection (d);
- For offsetting collections and receipts, see subsection (e);
- For multi-account appropriations, see subsection (f); and
- For accounts with negative budget authority, see subsection (g).

Outlays from budgetary resources provided prior to the budget year should be the same in the baseline and in the Presidential policy estimates, unless policy proposals restrict or accelerate spending from such balances. New budgetary resources generally should outlay at a rate that is consistent with Presidential policy spendout rates.

MAX will automatically calculate the baseline estimates for discretionary budgetary resources and outlays (including outlays financed by offsetting collections) in MAX schedule S based on:

- The level of CY budgetary resources entered into MAX by agencies;
- Outlays from end of PY balances entered into MAX by agencies;
- CY and BY spendout rates entered into MAX by agencies; and
- Pay-related and non-pay deflators entered into MAX by OMB.

[Section 81.2](#) explains how to enter information on outlays from end of PY balances and spendout rates into MAX.

*(c) Advance appropriations.*

If an account is completely funded through advance appropriations, the baseline estimate of new budgetary resources should equal the advance appropriation, not the CY inflated level. The last year of the advance appropriation becomes the base for calculating the baseline estimate for the remaining years, using the rules described in (b) above.

If an account is funded with both current and advance appropriations, inflate the current appropriation as described in (b) above; for the advance appropriation, follow the guidance in the paragraph above.

*(d) Discretionary credit accounts.*

The OMB subsidy model inflates CY subsidy budget authority using the annual adjustment factor for non-pay costs from the economic assumptions for the budget. The model derives subsidy outlays from the subsidy budget authority. The estimated subsidy rate for the BY should be a separate and distinct calculation from that done for the CY. The OMB subsidy model computes the subsidy rate using the economic assumptions for the budget. (See [section 185.5](#) for instructions on calculating baseline subsidy estimates, including programs with negative subsidies.) We do not collect baseline direct loan obligations and guarantee commitments.

*(e) Discretionary offsetting collections and receipts.*

The baseline estimates should be consistent with the levels of budgetary resources assumed for the account conducting the activity that generates the collections. When the level of collections is independent of the appropriated level, reflect the level of activity anticipated under current law.

*(f) Multi-account appropriations.*

If an appropriation covers more than one account and does not specify the amount provided for each account, such as the limitation on administrative expenses for the Social Security Act, the distribution of

the budget authority by account in the CY is the base for subsequent years. Inflate the CY amount by account to derive the budget authority for BY through BY+9.

(g) *Accounts with negative budget authority in the CY.*

- If the account has negative budget authority as a result of a rescission, reduction, or transfer of balances, estimate the budget authority for BY through BY+9 as zero.
- If the account has negative budget authority because the offsetting collections credited to the account exceed the spending authority from those offsetting collections (e.g., as a result of limitations on administrative expenses or repayments of debt), provide your best estimate of the *offsetting collections* under current law, and
  - If the *spending authority is controlled by appropriations*, project the authority using the guidance in section 80.3(b).
  - If the *spending authority from offsetting collections is indefinite*, reflect the level of activity anticipated under current law.

#### **80.4 What rules apply to direct spending programs?**

The BEA requires the estimates for budgetary resources provided in authorizing law and for appropriated entitlements to reflect the level of activity anticipated under current law, using the same economic and technical assumptions that are used for the Presidential policy estimates. Include the effect of changes to programs and activities directed by already enacted legislation (such as a change in a benefit formula that becomes effective in BY+2) in the year that the changes become effective. The following special rules apply:

- *Expiring authorizations.* Assume that programs that would expire under current law will expire, with one exception. If CY outlays are greater than \$50 million, assume the program will continue at current levels. However, assume an expiring provision of law (in contrast to the entire program) will expire if that assumption does not have the effect of terminating the basic program.
- *Veterans' compensation cost-of-living-adjustment (COLA).* Assume enactment of a COLA for veterans' compensation that is equal to the COLA required by law for veterans' pensions.

Affected agencies should contact their OMB representative for guidance.

The BEA requires that substantive changes to or restrictions on entitlement law or other mandatory spending law in appropriations laws (including changes in offsetting receipts or collections) be treated as changes in discretionary spending for the purposes of scoring those appropriations laws (see [Appendix A](#)). However, in the subsequent budget, OMB may decide to reclassify such changes, especially in accounts that are generally mandatory. If advised by OMB to reclassify the change, the mandatory spending entries for the account should reflect the change made in appropriations law. OMB will make a compensating adjustment to the discretionary caps.

#### **80.5 What rules apply to mandatory collections?**

Base estimates of mandatory receipts, offsetting receipts, and offsetting collections on current law. Also base collections affected by Federal pay rates on rates used for Presidential policy, not on the levels of compensation assumed in the baseline for the pay portion of discretionary accounts. The estimates should

assume that expiring provisions of law will expire, except that provisions providing for excise taxes dedicated to a trust fund will be assumed to continue at current levels.

#### **80.6 What rules apply to mandatory supplemental requests?**

Baseline estimates for mandatory supplemental requests will reflect *current year* baseline estimates of budget authority and the related outlays. Budget authority estimates for BY through BY+9 will be zero. However, you should reflect the spendout of current year budget authority, as appropriate, over the period BY through BY+9.

#### **80.7 What rules apply to discretionary limitations on obligations?**

Where limitations are established, including those established to report the effect of reductions pursuant to the G-R-H law, as amended (see [section 81.4](#)), provide baseline estimates of limitations for CY through BY+9

#### **80.8 What materials must I provide in support of baseline estimates?**

After final budget decisions, you must submit a table showing the impact on the baseline of estimates of:

- Major regulations;
- Expiring provisions of law;
- Caseloads for major mandatory programs;
- Management initiatives;
- Administrative actions; and
- Other major program assumptions included in the baseline.

Show the budgetary impact of each major assumption separately. For example, a change in outlays resulting from a regulatory change should be shown separately from a change resulting from the expiration of a provision of law. Consult with your OMB representative on the format and content of this table.

